



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
WARREN COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES**

**August 3, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WARREN COUNTY**  
**SHERIFF'S SETTLEMENT - 2000 TAXES**

**August 3, 2001**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Warren County Sheriff as of August 3, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected net taxes of \$21,944,942 for the districts for 2000 taxes. The Sheriff distributed taxes of \$21,200,990 to the districts for 2000 Taxes. Refunds of \$1,739 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Michael Buchanon, Warren County Judge/Executive  
Honorable Jerry Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the Warren County Sheriff's Settlement - 2000 Taxes as of August 3, 2001. This tax settlement is the responsibility of the Warren County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Warren County Sheriff's taxes charged, credited, and paid as of August 3, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Michael Buchanon, Warren County Judge/Executive  
Honorable Jerry Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 8, 2002



WARREN COUNTY  
JERRY GAINES, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

August 3, 2001

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 4,262,121	\$ 184,673	\$ 8,233,315	\$ 4,746,428
Tangible Personal Property	753,715		1,189,213	1,706,208
Intangible Personal Property				696,135
Fire Protection	1,600			
Taxes Increased Through Erroneous				
Assessments	10,203		22,175	165,337
Omitted Taxes	108		269	136
Franchise Corporation	282,434		326,350	
Additional Billings	2,045		5,032	2,442
Oil And Gas Property Taxes	1,914		4,612	2,125
Limestone, Sand, and Mineral Reserves	838		2,018	930
Penalties	28,278	709	50,712	35,130
Adjusted to Sheriff's Receipt	(1,861)		1	(66,078)
Gross Chargeable to Sheriff	<u>\$ 5,341,395</u>	<u>\$ 185,382</u>	<u>\$ 9,833,697</u>	<u>\$ 7,288,793</u>
<u>Credits</u>				
Exonerations	\$ 29,128	\$	\$ 52,568	\$ 65,945
Discounts	76,609	3,141	143,781	111,906
Delinquents:				
Real Estate	43,938	888	81,516	48,824
Tangible Personal Property	4,875		7,936	13,016
Intangible Personal Property				6,036
Uncollected Franchise Corporation	7,519		6,699	
Total Credits	<u>\$ 162,069</u>	<u>\$ 4,029</u>	<u>\$ 292,500</u>	<u>\$ 245,727</u>
Net Tax Yield	\$ 5,179,326	\$ 181,353	\$ 9,541,197	\$ 7,043,066
Less: Commissions *	220,409	7,708	190,824	299,618
Net Taxes Due	\$ 4,958,917	\$ 173,645	\$ 9,350,373	\$ 6,743,448
Taxes Paid	4,953,337	173,645	9,339,803	6,734,205
Refunds (Current and Prior Year)	6,368		11,455	9,309
Due Districts or (Refund Due Sheriff)				
as of Completion of Fieldwork	<u>\$ (788)</u>	<u>\$ 0</u>	<u>\$ (885)</u>	<u>\$ (66)</u>

\* Commissions:

10% on	\$	10,000
4.25% on	\$	12,393,745
2% on	\$	9,541,197

The accompanying notes are an integral part of the financial statement.

WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT

August 3, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 8, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

WARREN COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 3, 2001  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 24, 2000 through March 30, 2001.

Note 4. Interest Income

The Warren County Sheriff earned \$11,988 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of March 8, 2002, the Sheriff is due a refund of \$30 from the school district and owes \$212 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Warren County Sheriff collected \$82,293 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of March 8, 2002, the Sheriff owes \$146 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Warren County Sheriff collected \$9,312 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs and the advertising fees to his fee account.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$586 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department. As of August 3, 2001, the Sheriff has a bank balance of \$8,314 in his escrow account. The Sheriff should deposit \$481 for 1999 taxes and \$586 for 2000 taxes in unrefundable duplicate payments and unexplained receipts. As of August 3, 2001, the escrow account has a book balance of \$9,381.

Note 8. Bond Coverage

KRS 134.320 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond is meant to cover all tax monies on hand in the Sheriff's office. The Sheriff's county revenue bond was \$1,000,000, which appears to be adequate to protect the county from potential loss.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

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T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Michael Buchanon, Warren County Judge/Executive

Honorable Jerry Gaines, Warren County Sheriff

Members of the Warren County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Warren County Sheriff's Settlement - 2000 Taxes as of August 3, 2001, and have issued our report thereon dated March 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Warren County Sheriff's Settlement - 2000 Taxes as of August 3, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 8, 2002



